

EXEMPTIONS AND DEFERRAL OF TAX INCREMENT NOT DEPOSITED

Exhibit B-1: Tax Increment Exemptions

Exhibit B-2: Tax Increment Deferrals

Exhibits B-1 and B-2

Exemptions and Deferrals of Tax Increment

California Redevelopment Law (Health and Safety Code Sections 33334.2 and 33334.6) allows agencies to deposit less than the minimum 20 percent of project area tax increment provided agencies can meet the requirements to take an exemption or deferral. Deferrals of tax increment constitute a debt that must be repaid to the Low-Mod Fund over the future whereas exemptions do not constitute a debt.

Exemptions - Section 33334.2(a) (2) (C)

Before an agency can exempt any amount of tax increment from deposit to the Low-Mod Fund, the jurisdiction (city or county) of the agency must have an adopted housing element that HCD has determined complies with applicable provisions of State housing element law. Agencies can exempt some or all of the minimum 20 percent set-aside provided one of three allowable findings can be made which, unlike housing elements, are not required to be reviewed and approved by HCD. The three allowable findings are:

- No need exists in the community to increase, improve or preserve the supply of low and moderate income housing.
- Less than the required minimum set-aside (20%) is sufficient to meet the community's need.
- The community is making a substantial effort to meet its affordable housing need that is equivalent in value to the required set-aside amount. To make this finding an agency must have incurred a specific contractual obligation before May 1991 that requires continuing the exemption.

Exhibit B-1 shows four agencies (Industry, Rosemead, Brea, and Needles) exempted tax increment from six (6) project areas totaling \$11,705,663, a small increase compared to the \$11,306,003 exempted in the previous year by eight (8) agencies (four of which are the same as those listed above). All agencies met the requirement of having an adopted housing element in compliance before taking an exemption. Although some agencies did not specify the authority used to claim an exemption, no active agencies claimed an exemption on the basis of having no need to improve and/or maintain the jurisdiction's supply of affordable housing.

Deferrals - Section 33334.6

Agencies can defer some or all of the 20 percent of tax increment that is required to be set-aside to the Low-Mod Fund, if deferrals are still needed to meet obligations of project areas approved before 1986. Any tax increment deferred from deposit to the Low-Mod Fund must be repaid. Agencies are required to adopt a plan to repay deferrals before the termination date of the project area.

Exhibit B-2 shows that 11 agencies deferred a total of \$3,006,873 that is slightly more than the \$3,000,698 deferred last year among 10 agencies. Eight of these agencies took deferrals in both years. Fourteen different agencies made deferral repayments of \$3,853,107 whereas last year repayments were \$2,405,164. The balance of deferrals still owed to the Low-Mod Fund amounts to \$181,903,818.